



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

August 5, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES
REQUEST FOR SUBORDINATION OF PASS-THROUGH PAYMENTS
TO COUNTY TAXING ENTITIES ON THE WILSHIRE CENTER/KOREATOWN
REDEVELOPMENT PROJECT
(SUPERVISORIAL DISTRICT 2)
(3 VOTES)**

SUBJECT

The Community Redevelopment Agency of the City of Los Angeles (the "CRA/LA") requests that the County subordinate pass-through payments it is entitled to receive from the Wilshire Center/Koreatown Redevelopment Project ("the Project") to two new tax allocation bonds.

IT IS RECOMMENDED THAT YOUR BOARD:

Approve a Joint Resolution of the Chief Executive Officer, the Fire Chief, and the Acting Director of Public Works subordinating the County of Los Angeles', the Fire District's, and the Flood Control District's right to receive pass-through payments from the CRA/LA's Wilshire Center/Koreatown Redevelopment Project to the Agency's 2008 Series B and Series C tax allocation bonds only, but not for any future indebtedness.

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

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Fourth District

MICHAEL D. ANTONOVICH
Fifth District

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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The Project was adopted on December 13, 1995 as Ordinance No. 170806. The Agency is preparing to issue the 2008 Series B and Series C tax allocation bonds for the purpose of financing a portion of redevelopment activities. The subordination is required by law based on a timely Agency request and showing that sufficient funds to pay both debt service and pass-through payments to affected taxing agencies will be available when payments are due. The Agency submitted its subordination request to the County on June 26, 2008.

Implementation of Strategic Plan Goals

This action supports Fiscal Responsibility (Goal 4) of the County Strategic Plan to strengthen the County's fiscal capacity.

FISCAL IMPACT/FINANCING

Health and Safety Code Section 33607.5(e) provides that pass-through payments to the taxing entities may be subordinated to a redevelopment agency's payments for debt service. The County may disapprove a request for subordination only if it finds, based on substantial evidence, that the Agency will not be able to pay both the debt service payments and the pass-through payments to the affected taxing entities. The Agency's tax increment projections, reviewed by this Office, indicate that there will be sufficient coverage to satisfy the debt service on the Series B and Series C Bonds, and the required pass-through payments to the taxing entities.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Section 33607.5(e)(3) provides: "If the affected taxing entity does not act within 45 days after receipt of the agency's request, the request to subordinate shall be deemed approved and shall be final and conclusive." The Agency requested subordination for the Series B and Series C Bonds, and "any future indebtedness." The Agency has made similar requests in the past, and your Board has declined to approve subordination on future indebtedness.

County Counsel recommends limiting subordination to the proposed Series B and Series C Bonds only, and not granting approval for future indebtedness, i.e., future debt with equal claim on Project tax increment. Since the primary justification for subordinating the County's position is to reduce the Agency's financing costs, County Counsel recommends the County retain the right to review future indebtedness on a case-by-case basis. Accordingly, we will review the facts of any future subordination request.

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Failure to act within 45 days after receipt of the Agency's request of June 26, 2008 constitutes County approval of the Agency's request to subordinate to the Bonds and "any future indebtedness".

CONCLUSION

At such time as the recommendation is approved by your Board, please return one copy of this letter and Resolution to the Chief Executive Office, Community and Municipal Services, and one copy of the letter and Resolution to the Auditor-Controller, Tax Division.

Respectfully submitted,



WILLIAM T. FUJIOKA
Chief Executive Officer



P. MICHAEL FREEMAN
Fire Chief



DEAN D. EFSTATHIOU
Acting Director of Public Works

WTF:PMF
DDE:LS
DSP:RTM:os

Attachment (1)

c: Auditor-Controller
County Counsel
Chief Financial Officer, CRA/LA

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF LOS ANGELES TO SUBORDINATE THE COUNTY TAXING ENTITIES'
RIGHT TO RECEIVE PASS-THROUGH PAYMENTS TO THE
COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES
WILSHIRE CENTER/KOREATOWN PROJECT**

WHEREAS, the City Council of the City of Los Angeles on December 13, 1995 adopted Ordinance No. 170806, a Redevelopment Plan for the Wilshire Center/Koreatown Redevelopment Project (the "Project"); and

WHEREAS, the Community Redevelopment Agency of the City of Los Angeles (the "CRA/LA") on June 26, 2008 by letter advised its intention to issue tax allocation bonds (the "Series B Bonds" and "Series C Bonds") payable from and secured by a pledge of certain Project tax increment revenues, and requested of the County of Los Angeles (the "County"), the Los Angeles County Consolidated Fire Protection District ("Fire"), and the Los Angeles County Flood Control District ("Flood") that any and all payments which the County, Fire, and Flood are entitled to receive pursuant to Health & Safety Code Section 33607.5 ("Section 33607.5") from the Project be subordinated to the Agency's payments of principal and interest on the Series B Bonds and Series C Bonds and any future indebtedness; and

WHEREAS, subordination does not lessen or eliminate the Agency's obligation to make the required payments to the County, Fire, and Flood under Section 33607.5 and is intended to permit the Agency to obtain a higher credit rating on its bonds and thus lower the Agency's financing costs; and

WHEREAS, Section 33607.5 provides that if the redevelopment agency requests an affected taxing entity to subordinate the amount to be paid to it prior to the Agency incurring any bonded indebtedness, and the agency provides substantial evidence that sufficient funds will be available to pay both the debt service and the required payments to the taxing entity, that the taxing entity must approve or disapprove the request for subordination within 45 days after the receipt of a letter requesting subordination, and that the taxing entity may disapprove the request only if it finds, based upon substantial evidence, that the agency will not be able to pay the debt payments and the amount required to be paid to the taxing entity under Section 33607.5; and

WHEREAS, the Agency has presented evidence demonstrating its ability to make the required payments to the County, Fire, and Flood District after payment of debt service on the Project Series B and Series C Bonds, but not as to any "future indebtedness."

Subordinate the County's Right to Receive
Pass-Through Payments to the Community
Redevelopment Agency of the
City of Los Angeles Wilshire/Koreatown Project
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NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Los Angeles that:

The County hereby agrees that so long as the Series B and Series C Bonds remain outstanding, any and all payments which the taxing entities are entitled to receive from the Project pursuant to Section 33607.5 shall be and shall remain subordinate to the payments pledged from the Project to pay the principal of and interest on the Series B and Series C Bonds.

The foregoing resolution was on the 5th day of August 2008, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies, and authorities for which the Board so acts.




SACHI A. HAMAI, Executive Officer
Clerk of the Board of Supervisors
Of the County of Los Angeles

By 
Deputy

APPROVED AS TO FORM
BY COUNTY COUNSEL

RAYMOND G. FORTNER, JR.

By 
Deputy